

**The Effects of Proactive Entrepreneurship and Social  
Adaptability on Innovation: A Study of Taiwanese  
SMEs Operating in China**

by

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## **CERTIFICATE OF ORIGINAL AUTHORSHIP**

I certify that the work in this thesis has not previously been submitted for a degree nor has it been submitted as part of requirements for a degree except as fully acknowledged within the text.

I also certify that the thesis has been written by me. Any help that I have received in my research work and the preparation of the thesis itself has been acknowledged. In addition, I certify that all information sources and literature used are indicated in the thesis.

A handwritten signature in black ink, appearing to read 'Kai-Ping Huang', with a stylized, flowing script.

Kai-Ping Huang

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*In memory of my mother, Yue-Hua L. Huang, 1941-2012.*

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## **ABSTRACT**

The aim of this study is to empirically investigate how entrepreneurial orientation (EO) and incremental innovation capabilities impact the performance of Taiwanese small and medium-sized enterprises (SMEs) operating in China, which is the largest emerging economy. Incremental innovation is vital for SMEs' survival and competitive advantage. Despite an abundance of studies noting that incremental innovation contributes to SMEs' performance, little is known about how the antecedents influence SMEs' incremental innovation capability when they operate overseas. Though previous studies have acknowledged that context complexity plays a significant role in EO-performance relationships, there is very limited empirical attention paid to these relationships in the context of foreign SMEs' operating in emerging economies. Similarly, few studies have expressly examined which salient dimensions of social capital influence resource acquisition with regard to SME international expansion in emerging economies, or the extent of this influence. This study addresses each of these issues and proposes a framework that empirically examines the path-dependent effects of entrepreneurial proactiveness, social adaptability, structural capital, relational capital, human capital, tacit knowledge, and incremental innovation capability on performance in the context of foreign SMEs operating in emerging economies.

This study uses a quantitative empirical approach supplemented with a focus group interview as a qualitative method to ensure the validity the measurement. The survey, and archival data, on 218 Taiwanese SMEs operating in China are analysed using structural equation modelling with software AMOS. All fit indices for the structural model in the survey achieved the recommended threshold values, and all hypotheses proposed in this study were supported by the findings.

This study provides a road map indicating the antecedents of incremental

innovation capability in the context of foreign SMEs operating in emerging economies. The framework was confirmed and supported by empirical results. The study contributes to the entrepreneurship literature, social capital theory, the resource-based view, and incremental innovation, by revealing that entrepreneurial proactiveness and social adaptability are positively associated with structural and relational capital building. Structural capital is positively related to human capital acquisition, and there is a positive relationship between relational capital and tacit knowledge acquisition. Human capital and tacit knowledge, in turn, provide the effective means for achieving superior incremental innovation capability to strengthen performance. The findings further provide a guide for foreign SME entrepreneurs on what entrepreneurial behaviours or traits might drive social capital building to gain competitive advantage in emerging economies.

## **Publications Arising From the Thesis**

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